

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 COME-00 AGR-05 AGRE-00 AID-05

CIAE-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 /054 W

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R 032245Z SEP 76

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 7189

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E.O. 11652: N/A

TAGS: EAGR, ETRD, MEX

SUBJ: FLOATING PESO AND MEXICAN BEEF EXPORTS

PASS USDA/FAS

AN ASSESSMENT OF THE IMPACT OF THE "FLOATING PESO" ON MEXICAN
BEEF EXPORTS FOLLOWS:

1. BEEF EXPORTS AT THE CURRENT RATE OF EXCHANGE 20.60 PESOS DOLLAR
REPRESENT A 64 PERCENT INCREASE IN PESO RETURNS FOR THE EXPORT
BEEF FROM SLAUGHTER CATTLE. IF DOMESTIC CATTLE PRICES ARE HELD
TO A MARGINAL INCREASE AND LIVESTOCK PRODUCERS ARE WILLING TO SELL
ON A MARGINAL INCREASE, DOMESTIC SLAUGHTER FOR EXPORT CAN BE
EXPECTED TO INCREASE SUBSTANTIALLY. TRADE INDICATES THERE ARE
SUFFICIENT MEXICAN CATTLE TO SHIP IN EXCESS OF OUR LATEST (REF)
ESTIMATE OF 46.0 MILLION POUNDS FOR 1976.

2. "MAQUILA" BEEF SLAUGHTER AND SHIPMENTS WILL BE ADVERSELY AFFECTED
IF THE DOMESTIC PROCESS OF HIDE AND OFFALS, WHICH ARE MERCHANDISED
IN MEXICO, ARE HELD AT CURRENT PRICES. HOWEVER, TO DATE THERE HAS
BEEN NO ANNOUNCED OFFICIAL GOM ACTION TO CONTROL PRICES. ALSO GOM
WILL FAVOR THE EXPORT OF DOMESTIC BEEF AND IF IT APPEARS DOMESTIC
CATTLE ARE BEING DRAWN INTO THE EXPORT MARKET IN SUFFICIENT
QUANTITY, THE "MAQUILA" SLAUGHTER WILL NO DOUBT BE TERMINATED.

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3. MEAT AND SLAUGHTER TRADE INDICATES IN THE SECOND DAY OF THE
"FLOATING PESO" OPERATIONS ARE MORE OR LESS ON "HOLD" -- A
MINIMUM OF TRADING.

4. WE WILL HAVE A BETTER ASSESSMENT OF THE SITUATION FOLLOWING
OPERATIONS OF THE PACKERS ON MONDAY AND TUESDAY OF NEXT WEEK.

5. GIVEN A FEW MORE DAYS WE WILL WANT TO REASSESS OUR 1976
PROJECTED 46.0 MILLION POUNDS MEXICAN BEEF EXPORT FIGURE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, ECONOMIC CONDITIONS, FLEXIBLE EXCHANGE RATES, MEATS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: blochd0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MEXICO11355
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760336-0459
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760993/aaaadbms.tel
Line Count: 71
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: blochd0
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2004 by ellisoob>; APPROVED <02 NOV 2004 by blochd0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FLOATING PESO AND MEXICAN BEEF EXPORTS PASS USDA/FAS AN ASSESSMENT OF THE IMPACT OF THE "FLOATING PESO"
TAGS: EAGR, ETRD, MX
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006